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O F F I C E O F N A T I O N A L E S T I M A T E S

18 February 1957

STAFF MEMORANDUM NO. 9-57

S U B J E C T: Probable effects of US-Supported UN Sanctions Against Israel

1. This memorandum estimates the probable effects of the adoption by the UN General Assembly, with US support, of a resolution imposing sanctions against Israel until such time as it complies with the General Assembly resolution calling for its withdrawal from Sinai and the Gaza Strip. It is here assumed that such a resolution would oblige the US to halt all financial assistance to Israel, to block Israeli funds in the US, and to prohibit the private transfer of dollars to Israel.

Probable Extent of Participation

2. A program of UN sanctions against Israel would be strongly supported by the Arab states and by the USSR, which has already halted shipments of oil to Israel. It would also be supported by most of the Arab-Asian and Latin American states, probably including countries such as Iran and Venezuela from which Israel has obtained oil. Given active US participation in the program, most of the NATO countries would probably go along with a program of sanctions. However, Canada, which sold arms to Israel last year, has indicated that it would not. West Germany has stated it could not suspend reparations payments. France, would almost certainly refuse to participate in economic sanctions and in fact would probably increase shipments to Israel. Should sanctions fail to produce prompt Israeli compliance with the General Assembly's wishes, the willingness of other nations, particularly in the NATO group, to continue applying sanctions would probably decline.

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Effects on Israel

3. For the UN to take the extreme step of imposing sanctions would be a severe diplomatic blow to Israel and would emphasize its isolated position in the world. Although Israel would retain the friendship of France and some sympathy on the part of the UK and other Western powers, it would be confronted with the opposition not only of the Arab states and the USSR, now its avowed enemy, but also of the US, its traditional friend and protector, and of a majority of the other nations of the world.

4. Economically, the imposition of sanctions would be especially serious because of Israel's continuing dependence on outside supplies and financing not only for continuation of its immigration program and furtherance of economic development but also for maintenance of its present standard of living. Approximately a quarter of Israel's imports consist of food and another quarter of raw materials, including vegetable oils, petroleum, and textiles. Israel's imports amounted to about \$ 325 million in 1956, of which only \$88 million worth was covered by exports. Virtually all of Israel's heavy military equipment must also be obtained abroad. Thus the \$50 million a year which Israel is receiving in US economic and technical assistance, the \$ 150 million a year raised privately in the US and other Western countries, and the \$ 40 million a year it obtains in reparations from West Germany represent critical elements in the economy.

5. Although precise economic estimates are not available, it appears almost certain that Israel would eventually be compelled to yield to a program of US-supported economic sanctions--probably within a period of three to twelve months. For the present, however, we believe the chances are better than even that Israel would not give way in the face of the imposition of sanctions but would instead try to hold out as long as possible in the hope of bringing about a change in world sympathy in Israel's direction. Premier Ben Gurion and his colleagues almost certainly believe that Israel's present occupation of Gaza and the Straits of Tiran littoral give Israel a unique opportunity to force concessions from the Arabs and the UN. Moreover, despite their recognition of Israel's continuing long-range dependence on US support, they would almost certainly be strongly influenced by anger against the present US government for any support of sanctions.

and by the hope that sufficient sympathy for Israel could be developed within the US and in other Western countries to force the US government to abandon sanctions. Finally, Ben Gurion would probably appreciate that his political reputation is based on vigorous defense of Israel's national interests and that to give way in the face of a sanctions resolution would in effect be a confession of failure.

6. The director general of the Israeli Prime Minister's office has recently asserted that Israel is now making urgent plans to cut its budget by the equivalent of \$ 83 million (or about 20 percent) in anticipation of UN sanctions and that Israel could probably hold out for three to six months on this basis. While this statement was almost certainly made to discourage US support of sanctions and be misleading in suggesting that Israel has already made up its mind, it is probable that some studies have been made within the Israeli government of this issue. It is also probable that the Israelis are counting on help from France.

Reactions of the Arab States

7. US support of and participation in a program of sanctions against Israel would be enthusiastically applauded in the Arab states and at least in the short run would considerably enhance US efforts to compete with Soviet influence in the area. However, Arab enthusiasm for the US will probably continue to be tempered by underlying suspicions of past US ties with Israel and the "colonial" powers, by the hope that the US was motivated by recognition of the increasing importance of the Arab states, and by inability to comprehend US efforts to act fairly and impartially. Although Arab resentment of the US for its past support of Israel would be reduced by US participation in sanctions against the latter, the Arabs would probably not be completely won over unless the US permanently cut off its support of Israel.

8. Egypt in particular would probably be disposed to adopt a somewhat more cooperative attitude toward a Suez Canal settlement. While it might initially continue to insist that the Israelis actually withdraw--i.e., that the sanctions be effective--before it

would consider a settlement, the Nasser regime would probably be willing to yield on this point. However, Egypt would probably be unwilling to make any significant retreat from its preintervention terms for a settlement. It is possible, though we believe unlikely, that Egypt, with Soviet encouragement, might make Israeli defiance of sanctions or French support thereof an excuse for further obstructionism.

Likelihood of New Hostilities

9. Israel's military establishment is already low in POL stocks, and in the race of further stringencies resulting from economic sanctions would probably not deliberately initiate new hostilities against the Arabs. Nevertheless, the imposition of sanctions would probably increase tensions in the area and might thereby lead to a new military flareup. Egypt and other Arab states might be emboldened to step up the pace of raids and incursions. Although the USSR would probably wish to avoid an outbreak of major fighting, it might seek to increase tensions by military threats against Israel and (if French support for Israel became manifest) against France as well. Should a program of sanctions continue for some time without either producing Israeli withdrawal or some resolution of the Suez Canal issue, opinion in the UK and possibly other Western European countries might swing back toward support of Israel vis-a-vis the Arabs, though it presently appears extremely unlikely that there would be another Western military intervention in the area would result.